

State of Montana

Department of Natural Resources and Conservation

Trust Land Management Division



MINERALS MANAGEMENT BUREAU

Annual Report
for FISCAL YEAR 2006



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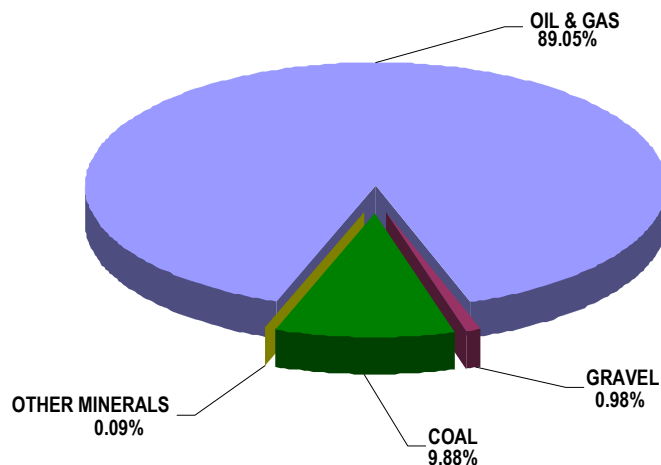
I - INTRODUCTION

This report was prepared by the Minerals Management Bureau (MMB) within the Trust Land Management Division and contains information gathered by the Bureau regarding State of Montana mineral leases. The report provides production and revenue information for each lease type managed by the Bureau. Within each lease type, there are reports providing income by county, area office, and grant. The revenue and pricing information was compiled using the cash basis method of accounting. Oil & gas production information was compiled using information reported on DNRC Form 5s for each royalty month.

For questions or additional information contained in this report, contact Steve Webster by telephone at (406) 444-0292 or e-mail at stwebster@mt.gov.

II – Revenue Sources

TOTAL REVENUE BY MINERAL TYPE Fiscal Year 2006

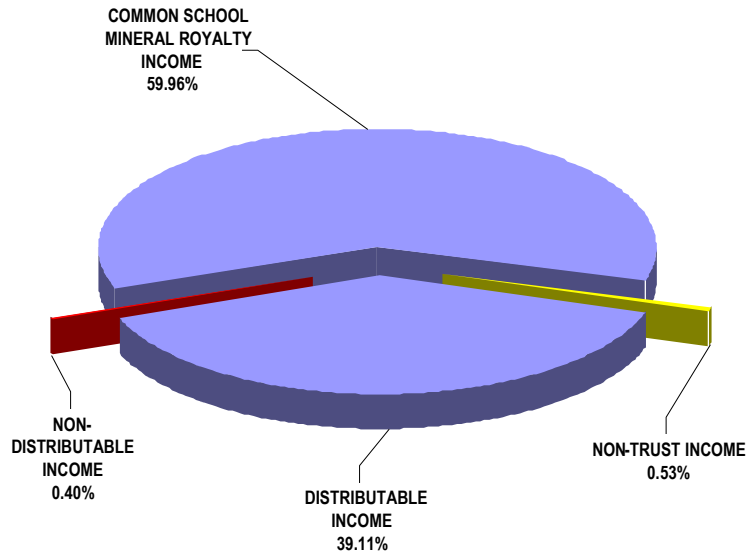


<i>Mineral Type & Revenue Source</i>		<i>FY2005</i>	<i>FY2006</i>	<i>% Change from FY05</i>
Oil & Gas -	Rentals/Bonuses/Penalties*	\$6,554,239	\$16,656,283	154.1%
	Royalties **	12,546,646	21,377,566	70.4%
	Seismic	4,796	5,459	13.8%
	Total	\$19,105,681	\$38,039,308	99.1%
Gravel -	Rentals	\$100	\$250	150.0%
	Royalties	227,171	417,794	83.9%
	Total	\$227,271	\$418,044	83.9%
Coal -	Rentals/Bonuses	\$40,057	\$41,524	3.7%
	Royalties	4,239,865	4,179,503	-1.4%
	Total	\$4,279,923	\$4,221,027	-1.4%
Other Minerals –				
Land Use License				
	Rentals/Penalties	\$5,145	\$16,683	224.3%
	Royalties	2,051	3,263	59.1%
	Total	\$7,196	\$19,946	177.2%
Metalliferous Minerals				
	Rentals/Bonuses/Penalties	\$9,160	\$5,176	-43.5%
	Royalties	1,250	2,250	80.0%
	Total	\$10,410	\$7,426	-28.7%
Non-Metalliferous Minerals				
	Rentals/Penalties	\$11,279	\$10,436	-7.5%
	Royalties	88	0	-100.0%
	Total	\$11,367	\$10,436	-8.2%
GRAND TOTAL		<u>\$23,641,848</u>	<u>\$42,716,187</u>	80.68%

* Includes Surface Damage settlement to leased land revenues

** Includes interest and shut-in payments

TOTAL REVENUE BY SOURCE Fiscal Year 2006



TOTAL REVENUE TO SCHOOL TRUST BENEFICIARIES \$42,490,114

TOTAL NON-DISTRIBUTABLE INCOME		TOTAL DISTRIBUTABLE INCOME	
\$172,030	0.40%	\$42,318,084	99.60%
		Common Schools Royalty (SB 495) :	** \$25,611,745
		All Other Distributable:	\$16,706,339

TRUST LAND REVENUE (by Trust)

Common Schools **	\$42,032,343	State Normal School	\$24,303
University of Montana	6,790	School for Deaf and Blind	3,275
M.S.U. Morrill	204,109	State Industrial School	13,545
M.S.U. 2nd Grant	2,873	Public Buildings	154,812
School of Mines	48,064	Total All Trusts:	\$42,490,114

NON-TRUST LAND REVENUE *

Agricultural Experiment Station	\$40,128
Department of Fish, Wildlife & Parks	12,327
Department of Transportation	14,273
Department of Public Health and Human Services	123
DNRC – Water Resources Division	159,222
Total Non-Trust:	\$226,073

TOTAL REVENUE **\$42,716,187**

* Non-Trust Land income consists of revenue the Department of Natural Resources and Conservation collects as an administrator for various entities. These funds are distributed to the entity upon collection.

** Pursuant to Chapter 418, Montana Session Laws of 2001 (SB495), common school mineral royalties are deposited into the guarantee account and distributed.

III - LEASES

In FY 2006, record high oil and gas prices resulted in a significant increase in leasing activity on state lands. The number of mineral leases in FY 2005 increased 21.2% percent to 4,160, compared to 3,431 in FY 2005. Oil and gas lease increases of 21.9% accounted for nearly all of the overall increase in mineral leasing in FY 2006. Oil and gas leases totaled 4,023 as compared to 3,300 for FY 2005. Producing oil and gas leases only increased slightly to 578 from 575 during FY 2005 which indicates the large revenue gains this fiscal year are attributed to price and quantity increases on existing leases. Acreage for all mineral leasing activity increased by 18.9% for FY 2006 while producing acreage increased 5.3% for FY 2006.

MMB activities related to existing leases include collecting royalty and rental payments, auditing, reviewing and approving assignments and tracking working interest ownership; reviewing and preparing for approval of communitization agreements and unit operating agreements; and coordinating with field offices the review and approval of all proposed physical operations on state leases.

ACREAGE LEASED FOR OIL, GAS, AND OTHER MINERALS

As Of: 6/30/2006

	No. of Leases	% Change from FY05	Acreage Leased	% Change from FY05	Producing Leases	% Change from FY05	Producing Acreage	% Change from FY05
Coal Leases	29	-3.3%	13,841	-1.1%	4	33.3%	1,710	59.8%
Gravel Permits *	48	-11.1%	1,425	9.2%	40	0.0%	1,249	2.0%
Land Use Licenses	15	36.4%	3,232	-80.7%	2	0.0%	960	0.0%
Metalliferous Leases **	8	33.3%	2,082	15.2%	0	0.0%	0	0.0%
Non-Metalliferous Leases	9	0.0%	3,343	0.0%	0	-100.0%	0	-100.0%
Seismic Permits	23	9.5%	35,968	-25.5%	n/a	0.0%	n/a	0.0%
Oil and Gas Leases	4,023	21.9%	1,663,241	21.2%	578	0.5%	216,057	5.1%
Gas Storage Agreements	5	n/a	8,617	n/a	n/a	n/a	n/a	n/a
Total Leases	4,160	21.2%			624	0.5%		
Total Acres			1,731,749	18.9%			219,976	5.3%

* Small Volume Permits and Permits to Test for Aggregate are not included. During FY06, DNRC field offices issued 22 Small Volume Permits and 3 Permits to Test for Aggregate.

** Receive advance royalties, but none of the current metalliferous leases are actually producing minerals.

NOTE: Producing leases, licenses and permits are described as follows:
Gravel Permits - Includes permits that produced during the fiscal year, does not include advance royalties paid. Does not include small volume or test permits.
Coal Leases - Includes leases that produced during the fiscal year. Does not include advance royalties.
Land Use Licenses - Includes salt water disposal where we received royalties or advance royalties.
Metalliferous Leases - Includes leases that produced during the fiscal year. Does not include advance royalties.
Non-Metalliferous Leases - Includes leases that produced during the fiscal year. Does not include advance royalties.
Oil and Gas Leases - Includes any lease with a well that is capable of production.

FIELD REVIEWS CONDUCTED BY FIELD OFFICE AND MINERAL TYPE

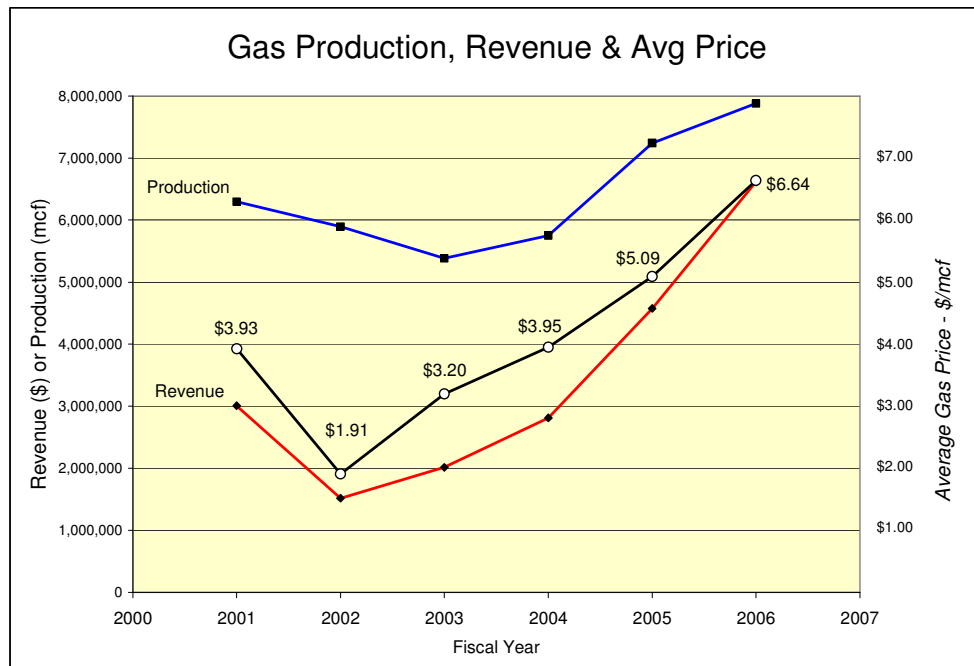
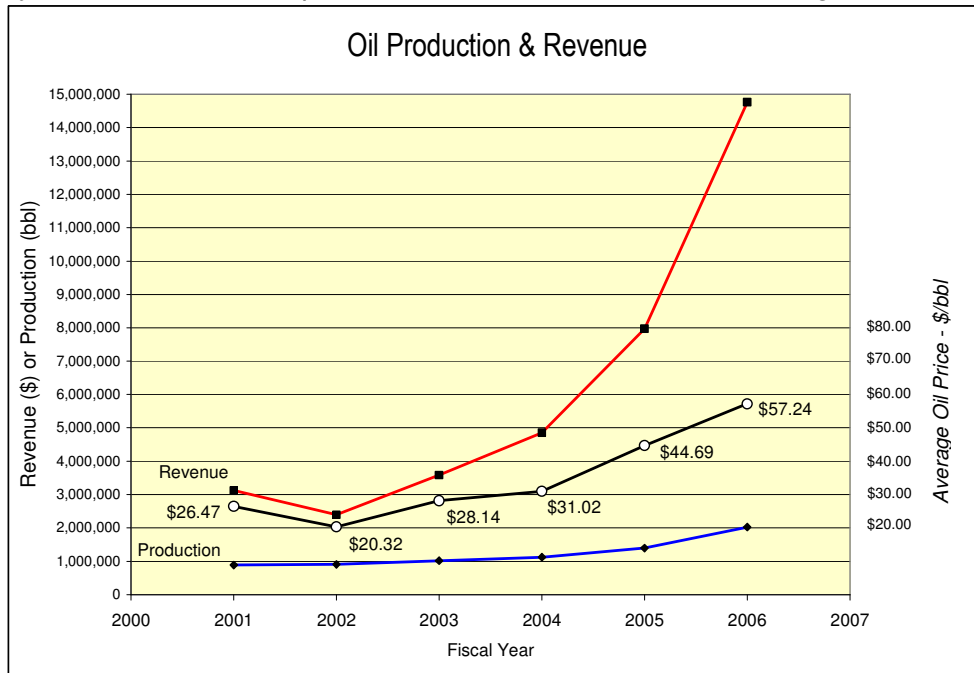
Fiscal Year 2006

Area Office	Unit Office	Oil & Gas Leases	O&G Wells & Pipelines	Seismic	Coal	M & NM Leases	LUL's	Gravel Permits	Gravel Renewals	Small Volume	Test Permits	TOTAL
CLO	Bozeman	11							2	1		14
	Conrad	343	6	2			2		2	3		358
	Dillon						4		3	3		10
	Helena			1			1				2	4
	Area Office Total	354	6	3	0	0	7	0	7	7	2	386
ELO	n/a	179	28	4		2	1					214
	Area Office Total	179	28	4	0	2	1	0	0	0	0	214
NELO	Glasgow	298	16	6			3	1	1	1		326
	Havre	54	18	9					2			83
	Lewistown	112	2			1		1				116
	Area Office Total	464	36	15	0	1	3	2	3	1	0	525
NWLO	Kalispell											0
	Libby									1		1
	Plains								1	3		4
	Stillwater									3		3
	Swan River									5		5
	Area Office Total	0	0	0	0	0	0	0	1	12	0	13
SLO	n/a	43	33	1					3		1	81
	Area Office Total	43	10	1	0	0	0	0	3	0	1	81
SWLO	Anaconda											0
	Clearwater							1	2			3
	Hamilton									1		1
	Missoula							1		1		2
	Area Office Total	0	0	0	0	0	0	2	2	2	0	6
GRAND TOTAL		1040	103	23	0	3	11	4	16	22	3	1225

IV - OIL AND GAS LEASES

Oil and gas prices continued to rise sharply during FY 2006, resulting in significantly higher production and revenues as compared to FY 2005. The average price for a barrel of oil increased 28.1 percent from \$44.69/bbl in FY 2005 to \$57.24/bbl in FY 2006. Oil prices have now increased over 84.5 percent in the past two fiscal years. Gas prices increased 30.4 percent from FY 2005 for an average price of \$6.64/mcf. In FY 2006, producing oil and gas wells reported 2,024,283 barrels of oil produced; 7,878,173 mcf of gas and 1,423,647 gallons of condensate. Oil production increased 44.6 percent from FY 2005, while gas production levels increased by 8.8 percent. Below are two graphs that provide a six-year summary of oil and gas production, revenue and average prices.

Production from coal bed natural gas wells decreased 13.3 percent in FY 2006 to 1,571,830 mcf, compared to 1,812,952 mcf produced in FY 2005. The state received royalties for 110 CBM wells in FY 2006 as compared to 63 in FY 2005 and averaged \$7.00/mcf. All production reported was from wells in Big Horn County. CBM revenue and production amounts are included in the gas totals for this report.



Royalty Income and Production by County (Oil, Gas, Condensate)

	<i>Oil</i>		<i>Gas</i>		<i>Condensate</i>		<i>Total Royalties</i>
<i>County</i>	<i>Royalties</i>	<i>Production (bbl)</i>	<i>Royalties</i>	<i>Production (mcf)</i>	<i>Royalties</i>	<i>Production (gal)</i>	
Big Horn			\$1,418,760.11	1,571,830			\$1,418,760.11
Blaine	\$93,083.06	17,645	\$543,228.88	712,876			\$636,311.94
Chouteau			\$173,110.23	222,260			\$173,110.23
Daniels	\$14,018.52	1,221					\$14,018.52
Dawson	\$384,287.26	61,901					\$384,287.26
Fallon	\$2,952,075.57	455,247	\$1,274,088.70	1,611,281	\$40,722.79	298,265	\$4,266,887.06
Garfield	\$29,208.94	5,046					\$29,208.94
Glacier	\$40,281.61	6,386	\$106,119.57	126,300	\$6,502.38	38,223	\$152,903.56
Golden Valley			\$18,056.39	27,278			\$18,056.39
Hill			\$813,554.81	1,048,451			\$813,554.81
Liberty	\$179,584.30	29,601	\$171,021.95	231,405			\$350,606.25
Musselshell	\$14,847.78	2,163					\$14,847.78
Petroleum	\$11,067.69	1,799					\$11,067.69
Phillips			\$855,317.63	1,097,648			\$855,317.63
Pondera	\$92,253.00	13,639	\$41,440.86	47,854			\$133,693.86
Powder River	\$12,535.74	2,067					\$12,535.74
Richland	\$8,637,378.77	1,079,091	\$500,340.83	482,832	\$135,296.01	1,044,544	\$9,273,015.61
Roosevelt	\$667,741.75	99,318	\$37,976.73	40,564			\$705,718.48
Rosebud	\$201,714.64	30,802					\$201,714.64
Sheridan	\$1,035,676.78	158,262	\$35,878.60	35,171			\$1,071,555.38
Stillwater			\$1,252.37	2,367			\$1,252.37
Sweet Grass			\$4,683.02	7,506			\$4,683.02
Teton	\$8,975.60	1,332					\$8,975.60
Toole	\$196,471.76	28,036	\$373,164.74	540,993	\$2,452.33	2,477	\$572,088.83
Valley			\$35,650.78	46,539			\$35,650.78
Wibaux	\$193,787.27	30,727	\$18,478.86	25,018	\$5,477.76	40,138	\$217,743.89
Grand Total	\$14,764,990.04	2,024,283	\$6,422,125.06	7,878,173	\$190,451.27	1,423,647	\$21,377,566.37

* Totals include interest and shut-in royalty payments

** Production totals represent amounts attributable to state land only

Royalty and Miscellaneous Income Reported by Area Office (Oil, Gas, Condensate)

<i>Area Office</i>	<i>Unit Office</i>	<i>Condensate Royalty</i>	<i>Gas Interest</i>	<i>Gas Royalty</i>	<i>Gas Royalty Audit</i>	<i>Shut In Gas</i>	<i>Oil Royalty</i>	<i>Oil Royalty Audit</i>	<i>Oil Interest</i>	<i>Grand Total</i>
CLO	Conrad	\$8,954.71	\$180.40	\$691,086.72		\$480.00	\$517,566.27			\$1,218,268.10
Area Office Totals		\$8,954.71	\$180.40	\$691,086.72	\$0.00	\$480.00	\$517,566.27	\$0.00	\$0.00	\$1,218,268.10
ELO	None	\$181,496.56	\$2,637.60	\$1,787,059.73	\$3,211.06		\$12,426,240.10	\$851.22	\$614.16	\$14,402,110.43
Area Office Totals		\$181,496.56	\$2,637.60	\$1,787,059.73	\$3,211.06	\$0.00	\$12,426,240.10	\$851.22	\$614.16	\$14,402,110.43
NELO	Glasgow			\$911,205.57			\$1,706,065.23			\$2,617,270.80
	Havre		\$172.98	\$1,353,726.15		\$2,884.56	\$93,083.06			\$1,449,866.75
	Lewistown			\$244,784.79			\$5,902.38			\$250,687.17
	Area Office Totals	\$0.00	\$172.98	\$2,509,716.51	\$0.00	\$2,884.56	\$1,805,050.67	\$0.00	\$0.00	\$4,317,824.72
SLO	None			\$1,422,463.76		\$2,231.74	\$14,667.62			\$1,439,363.12
Area Office Totals		\$0.00	\$0.00	\$1,422,463.76	\$0.00	\$2,231.74	\$14,667.62	\$0.00	\$0.00	\$1,439,363.12
Grand Total		\$190,451.27	\$2,990.98	\$6,410,326.72	\$3,211.06	\$5,596.30	\$14,763,524.66	\$851.22	\$614.16	\$21,377,566.37

* Interest payments are charges collected on past due royalty payments.

Royalty and Rental Income Reported By Grant (Oil, Gas, Condensate)

Grant	Royalty Income			Rental Income					Grand Total
	Oil Royalty	Gas Royalty	Condensate Royalty	Rental Income	Bonus Income	Surface Damages	Penalty Income	Seismic Permits	
Common Schools	\$14,759,264.87	\$6,126,828.37	\$190,451.27	\$2,330,531.40	\$13,005,123.17	\$142,933.20	\$864,067.66	\$5,459.24	\$37,424,659.18
University of Montana				\$1,373.24		\$1,500.00	\$2,290.59		\$5,163.83
MSU Morrill		\$56,859.18		\$19,811.23	\$111,952.75		\$12,495.86		\$201,119.02
MSU 2nd Grant									\$0.00
School of Mines				\$14,629.37			\$9,402.35		\$24,031.72
State Normal School		\$9,479.62		\$6,961.45	\$6,270.42		\$1,200.78		\$23,912.27
School for Deaf & Blind				\$1,740.00			\$1,200.00		\$2,940.00
State Industrial School				\$6,894.73	\$2,960.00		\$3,690.33		\$13,545.06
Public Buildings	\$5,020.28	\$33,062.03		\$19,001.15	\$50,615.53		\$10,165.59		\$117,864.58
Total Trust Income	\$14,764,285.15	\$6,226,229.20	\$190,451.27	\$2,400,942.57	\$13,176,921.87	\$144,433.20	\$904,513.16	\$5,459.24	\$37,813,235.66
Agriculture Experiment Station		\$38,128.29		\$2,000.00					\$40,128.29
Dept of Transportation	\$581.96	\$146.01		\$4,108.50	\$9,020.00		\$416.69		\$14,273.16
Dept of Fish, Wildlife and Parks				\$340.00	\$11,987.00				\$12,327.00
DNRC Water Resources Division		\$157,621.56		\$1,245.39	\$503.13		-\$148.60		\$159,221.48
Galen State Hospital	\$122.93			\$0.00					\$122.93
Total Income - Non Trust Grants	\$704.89	\$195,895.86	\$0.00	\$7,693.89	\$21,510.13	\$0.00	\$268.09	\$0.00	\$226,072.86
Grand Total	\$14,764,990.04	\$6,422,125.06	\$190,451.27	\$2,408,636.46	\$13,198,432.00	\$144,433.20	\$904,781.25	\$5,459.24	\$38,039,308.52

Note: Distributable income information contained in this table is not included in any other table in this report.

V - AGGREGATE PERMITS

Royalty and Production by County-Aggregate (Gravel, Sand, etc.)

<i>County</i>	<i>Cubic Yards</i>		<i>Tons</i>		<i>Total Royalty</i>	<i>Total Prod</i>
	<i>Royalty Income*</i>	<i>Production</i>	<i>Royalty Income*</i>	<i>Production</i>		
Beaverhead	\$2,910.55	6,064			\$2,910.55	6,064
Blaine	\$11,460.00	17,975			\$11,460.00	17,975
Carbon	\$750.00	0			\$750.00	0
Cascade	\$9,125.39	5,500			\$9,125.39	5,500
Chouteau	\$2,990.00	2,600			\$2,990.00	2,600
Fergus	\$28,788.00	0			\$28,788.00	0
Flathead	\$23,562.50	15,971			\$23,562.50	15,971
Gallatin	\$1,374.50	5,052	\$200.00	0	\$1,574.50	5,052
Golden Valley			\$32,052.37	1,453	\$32,052.37	1,453
Hill	\$134,171.85	110,613			\$134,171.85	110,613
Lake	\$1,330.00	1,030			\$1,330.00	1,030
Lewis and Clark	\$25,834.80	42,826			\$25,834.80	42,826
Lincoln			\$8,500.00	340	\$8,500.00	340
Madison	\$34,226.50	57,790			\$34,226.50	57,790
Mineral	\$1,723.60	3,714			\$1,723.60	3,714
Missoula	\$2,003.70	2,875	\$462.00	154	\$2,465.70	3,029
Musselshell	\$9,653.60	11,685			\$9,653.60	11,685
Phillips	\$4,357.20	750			\$4,357.20	750
Pondera	\$18,706.00	25,108			\$18,706.00	25,108
Powder River	\$2,554.54	15,998			\$2,554.54	15,998
Powell	\$200.00	0			\$200.00	0
Ravalli			\$2,514.35	134	\$2,514.35	134
Rosebud	\$17,349.65	26,600			\$17,349.65	26,600
Sanders	\$1,312.50	1,290	\$25,042.50	869	\$26,355.00	2,159
Sheridan	\$3,649.86	3,786			\$3,649.86	3,786
Teton	\$3,642.60	5,195			\$3,642.60	5,195
Toole	\$250.00	500			\$250.00	500
Valley	\$1,000.00	1,000			\$1,000.00	1,000
Wheatland			\$5,353.02	435	\$5,353.02	435
Yellowstone	\$742.70	0			\$742.70	0
Grand Total	\$343,670.04	363,922	\$74,124.24	3,385	\$417,794.28	367,307

* Totals may include advance royalty payments

Royalty and Rental Income by Area Office - Aggregate

(Gravel, Sand, etc.)

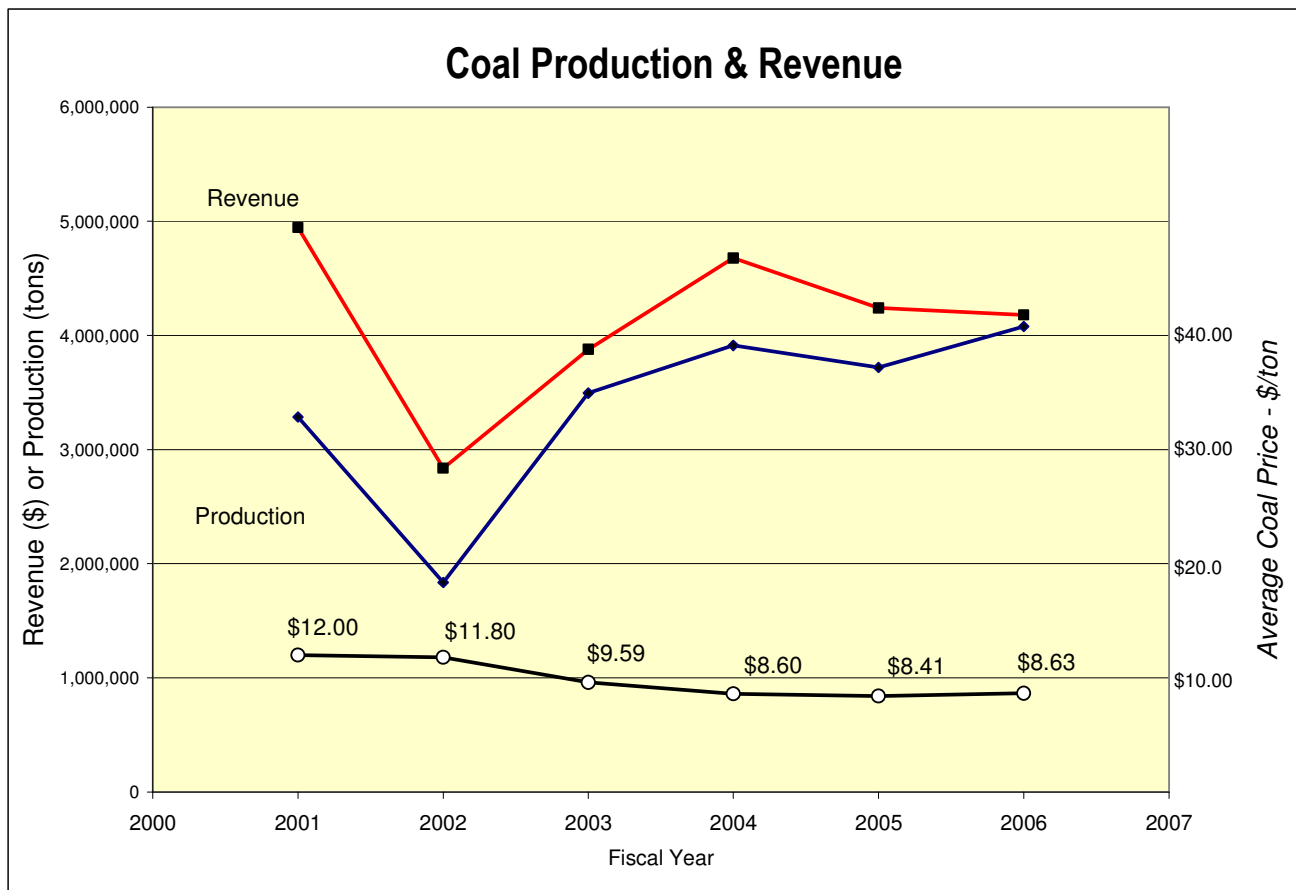
<i>Area Office</i>	<i>Unit Office</i>	<i>Rental Income</i>	<i>Royalty Income</i>
CLO	Bozeman		\$35,801.00
	Conrad		\$22,598.60
	Dillon		\$2,910.55
	Helena		\$9,125.39
	<i>Area Office Totals</i>		\$70,435.54
ELO	None		\$19,904.19
<i>Area Office Totals</i>			\$19,904.19
NELO	Glasgow		\$9,007.06
	Havre		\$145,631.85
	Lewistown		\$69,183.39
	<i>Area Office Totals</i>		\$223,822.30
NWLO	Kalispell		\$22,737.50
	Libby		\$8,500.00
	Plains		\$26,355.00
	Stillwater		\$905.00
	Swan River		\$1,250.00
	<i>Area Office Totals</i>		\$59,747.50
SLO	None		\$11,146.30
<i>Area Office Totals</i>			\$11,146.30
SWLO	Anaconda		\$200.00
	Clearwater	\$250.00	\$27,838.50
	Hamilton		\$2,514.35
	Missoula		\$2,185.60
	<i>Area Office Totals</i>	\$250.00	\$32,738.45
Grand Total		\$250.00	\$417,794.28

Royalty & Rental Income by Grant – Aggregate (Gravel, Sand, etc.)

<i>Grant</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total Income</i>
Common Schools	\$350,435.25	\$250.00	\$350,685.25
MSU 2nd Grant	\$2,753.70		\$2,753.70
MSU Morrill	\$2,990.00		\$2,990.00
Public Buildings	\$36,351.70		\$36,351.70
School for Deaf and Blind	\$334.80		\$334.80
School of Mines	\$24,032.00		\$24,032.00
University of Montana	\$896.83		\$896.83
Total Trust Income	\$417,794.28	\$250.00	\$418,044.28

VI - COAL LEASES

Coal production increased 9.7 percent in FY 2006 to 4,079,399 tons mined compared to 3,720,126 tons mined in FY 2005. All coal reported was produced from four state leases in Big Horn and Rosebud Counties. In FY 2006, Spring Creek Coal Company produced 4,039,140 tons, while the remainder of 40,259 tons was produced by Decker Coal Company. Decker's production totals decreased by more than 91% from FY 2005 while Spring Creek's production increased 24%. The volume of coal mined can change significantly from year to year, as mining activity moves onto or off state land within the normal sequence of mining operations. Overall, coal prices increased 2.6% over FY 2005 to \$8.63/ton. The graph below is a six-year summary of coal revenue, production, and prices reported on State Trust Lands.



Note: Average coal price FY2005 reflects changes from previous annual report

Royalty and Production by County - Coal

<i>County</i>	<i>Royalties (\$)</i>	<i>Production (ton)</i>
Big Horn	\$3,727,119.38	3,739,777
RoseBud	\$452,383.14	339,621.83
Total	\$4,179,502.52	4,079,398.83

Royalty and Rental by Area Office - Coal

<i>Area Office</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
ELO	\$452,383.14	\$28,938.30	\$481,321.44
SLO	\$3,727,119.38	\$12,585.93	\$3,739,705.31
Grand Total	\$4,179,502.52	\$41,524.23	\$4,221,026.75

Royalty and Rental Income by Grant - Coal

<i>Grant</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
Common Schools	\$4,179,502.52	\$41,524.23	\$4,221,026.75
Total	\$4,179,502.52	\$41,524.23	\$4,221,026.75

VII - LAND USE LICENSES

Royalty Income by County - LUL

<i>County</i>	<i>Royalty Income</i>	<i>Grand Total</i>
Dawson - Salt Water Disposal	\$2,262.86	\$2,262.86
Roosevelt - Salt Water Disposal	\$1,000.00	\$1,000.00
Grand Total	\$3,262.86	\$3,262.86

Royalty and Rental Income by Area Office - LUL

<i>Area Office - Unit Office</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Grand Total</i>
CLO			
Dillon	\$0.00	\$1,470.90	\$1,470.90
Conrad	\$0.00	\$6,350.00	\$6,350.00
Helena	\$0.00	\$100.00	\$100.00
Area Office Total	\$0.00	\$7,920.90	\$7,920.90
ELO n/a	\$2,262.86	\$500.00	\$2,762.86
Area Office Total	\$2,262.86	\$500.00	\$2,762.86
NELO			
Glasgow	\$1,000.00	\$6,341.94	\$7,341.94
Area Office Total	\$1,000.00	\$6,341.94	\$7,341.94
SLO n/a	\$0.00	\$1,920.00	\$1,920.00
Area Office Total	\$0.00	\$1,920.00	\$1,920.00
Grand Total	\$3,262.86	\$16,682.84	\$19,945.70

Royalty and Rental Income by Grant - LUL

<i>Grant</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
Common Schools	\$3,262.86	\$15,816.50	\$19,079.36
MSU 2nd Grant		\$120.00	\$120.00
Public Buildings		\$355.44	\$355.44
State Normal School		\$390.90	\$390.90
Total Trust Income	\$3,262.86	\$16,682.84	\$19,945.70

VIII - METALLIFEROUS MINERAL LEASES

Royalty Income by County - Metalliferous Minerals

<i>County</i>	<i>Mineral Type</i>	<i>Royalty Income</i>
Beaverhead	Gold & Platinum	\$500.00
Broadwater	Gold	\$500.00
Deer Lodge	Gold & Gemstones	\$250.00
Granite	Gold & Gemstones	\$250.00
Madison	Garnets	\$500.00
Petroleum	Gold & Gemstones	\$250.00
Grand Total		\$2,250.00

Note: All income reported was attributed to advance royalties - no production reported for FY 2006

Royalty and Rental Income by Area Office - Metalliferous Minerals

<i>Area Office - Unit Office</i>	<i>** Royalty Income</i>	<i>* Rental Income</i>	<i>Total</i>
CLO			
Helena	\$500.00	\$214.50	\$714.50
Dillon	\$1,000.00	\$1,004.40	\$2,004.40
Area Office Total	\$1,500.00	\$1,218.90	\$2,718.90
NELO			
Lewistown	\$250.00	\$757.08	\$1,007.08
Area Office Total	\$250.00	\$757.08	\$1,007.08
NWLO			
Kalispell	\$0.00	\$2,420.00	\$2,420.00
Area Office Total	\$0.00	\$2,420.00	\$2,420.00
SWLO			
Anaconda	\$250.00	\$300.00	\$550.00
Missoula	\$250.00	\$480.00	\$730.00
Area Office Total	\$500.00	\$780.00	\$1,280.00
Grand Total	\$2,250.00	\$5,175.98	\$7,425.98

Royalty and Rental Income by Grant - Metalliferous Minerals

<i>Grant</i>	<i>** Royalty Income</i>	<i>* Rental Income</i>	<i>Total</i>
Common Schools	\$2,000.00	\$4,695.98	\$6,695.98
University Of Montana	\$250.00	\$480.00	\$730.00
Total Trust Income	\$2,250.00	\$5,175.98	\$7,425.98

** Rental figures include bonus & in lieu of exploration payments*

*** Royalty figures include advance royalty payments*

IX - NON-METALLIFEROUS MINERAL LEASES

During Fiscal Year 2006 there were no royalties associated with production on any Non-Metalliferous mineral lease. There were just \$88.00 in royalties for peat received during FY05. Penalty income shown in the following three tables consists of payments for in lieu of exploration. Rental payments received are shown broken down by County, Area Office / Unit Office, and Grant.

Income by County - Non-Metalliferous Mineral Leases

<i>County</i>	<i>Rental Income</i>	<i>Penalty Income</i>	<i>Total</i>
Beaverhead	\$240.00		\$240.00
Carter	\$4,626.00	\$500.00	\$5,126.00
Jefferson	\$4,320.00	\$750.00	\$5,070.00
Grand Total	\$9,186.00	\$1,250.00	\$10,436.00

Income by Area Office - Non-Metalliferous Mineral Leases

<i>Area Office - Unit Office</i>	<i>Rental Income</i>	<i>Penalty Income</i>	<i>Total</i>
CLO			
Helena	\$4,320.00	\$750.00	\$5,070.00
Dillon	\$240.00		\$240.00
Area Office Total	\$4,560.00	\$750.00	\$5,310.00
ELO			
n/a	\$4,626.00	\$500.00	\$5,126.00
Area Office Total	\$4,626.00	\$500.00	\$5,126.00
Grand Total	\$9,186.00	\$1,250.00	\$10,436.00

Income by Grant - Non-Metalliferous Mineral Leases

<i>Grant</i>	<i>Rental Income</i>	<i>Penalty Income</i>	<i>Total</i>
Common Schools	\$8,946.00	\$1,250.00	\$10,196.00
Public Buildings	\$240.00		\$240.00
Total Trust Income	\$9,186.00	\$1,250.00	\$10,436.00

X – SB495 COAL TAX TRUST LOAN IMPLEMENTATION

The 2001 Legislature passed SB495, authorizing the department to borrow from the coal tax trust and place the loan proceeds in the public school permanent trust fund (trust fund). The Federal Enabling Act requires mineral royalties to be deposited into the trust fund. Therefore, the loan was intended to keep the trust fund whole while redirecting a specified amount of future mineral royalty revenues. The redirected royalties cover debt service on the loan, with any remaining amount distributed to school equalization.

The State Board of Land Commissioners (Board) reviewed the legislation and directed the Department to implement the provisions of SB495 beginning in fiscal 2002. The SB495 fiscal note estimated royalty revenue for the next 30 years. Board staff selected a discount rate of 9.85%, which produced a calculated present value (i.e. loan) amount. Effective July 1, 2001, the Department borrowed \$46,366,904 from the coal tax trust and placed it in the public school permanent trust fund, in lieu of \$138,894,596 in future net mineral royalties.

Loan principal and interest payments through fiscal year end 2006 total \$30,609,201. The table below summarizes the changes in the amounts distributed to school equalization and deposits into the permanent trust fund from the implementation of SB495.

<i>Impact of SB495 to Public School Trust</i>				
Net Change: SB495 vs. No SB495				
Loan Year	Fiscal Year	Distribution to Schools	Deposits to Trust Fund	Loan Pmts & Balance
Execute Loan			\$ 46,366,904	\$ 46,366,904
1	2002	3,359,644	(3,492,427)	
2	2003	5,492,305	(5,958,910)	
3	2004	6,228,585	(8,980,735)	1,820,816
4	2005	8,853,411	(12,973,176)	2,650,063
5	2006	8,924,224	(21,683,515)	10,848,960
Thru FYE 2006		\$ 32,858,169	\$ (6,721,858)	\$ 31,047,065
Projected Impact at:				
End of Loan:		\$ 65,604,456	\$ (93,478,002)	0
At 30 Years:		\$ (53,475,726)	\$ (99,745,380)	0

On July 1, 2001, the loan amount increased the permanent trust fund balance by \$46,366,904 and created a collateralized loan payable obligation for the same amount. As of June 30, 2006, SB495 increased distributions to school equalization by \$32,858,169 while redirecting new royalty revenue totaling \$53,088,762 away from the permanent trust fund. The trust fund balance is now \$6,721,858 lower than it would have been absent SB495, with a loan balance of \$31,047,065 remaining to be paid. The resulting net change in asset (i.e. trust fund) position is therefore \$37,768,923 lower than it would have been without SB495.

MonTrust, a nonprofit citizens group, filed suit in April 2002 alleging the implementation of SB495 does not comply with the fiduciary duties of the State of Montana. In August 2005, a divided State Supreme Court upheld the implementation of SB495 on a 4-3 vote.

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